

# BUDGET BRIEFING

DECEMBER 2012

 **GlackenAccountants**  
— registered auditors & accountants —

Dear Reader,

Welcome to this special Budget Briefing edition. We all have been affected in some way by yesterday's budget. This briefing sets out the announcements made by Minister Noonan.

Please feel free to make contact if you need clarification on any of these points.

Best wishes

Tracey Glacken

## Property

### Local Property Tax

The Local Property Tax will commence from 1 July 2013 and will result in a half year charge for 2013. The tax will be administered by the Revenue Commissioners and will apply to private and residential investment properties.

The tax will be payable based on the market value of the property as assessed by the owner. The initial valuation on 1 May 2013 will determine the tax payable up until and including 2016.

The applicable tax rate will be 0.18% on properties valued up to €1 million and 0.25% on any excess over €1 million. For properties valued between €100,000 and €1 million there are valuation bands of €50,000. Therefore, a property valued between €150,000 and €200,000 will be assessed at €175,000. This will be equal to a tax of €157 (1/2 year) in 2013 and €315 in 2014.

### Mortgage Interest Relief

As expected mortgage interest relief will cease for properties bought after 31<sup>st</sup> December 2012.

## Business Taxation

### Corporation Tax

There was no change to the current 12.5% rate.

### SME 10 Point Tax Reform Plan

A 10 point Tax Reform Plan has been proposed to assist small and medium sized enterprises with cashflow and also to assist with job creation. This plan includes the following measures:

1. 3 Year Tax Relief for Start up Companies
2. Increase of the de minimus Close Company Surcharge Threshold
3. Amendment of the R&D Tax Credit Relief
4. Increase of the Cash Receipts Basis Threshold for VAT from €1 million to €1.25 million
5. Extension of the Foreign Earnings Deduction for Work Related Travel to Certain Countries beyond the BRIC
6. Extension of the Employment and Investment Incentive Scheme
7. Extension of Stock Relief for Farmers
8. Introduction of new Capital Gains Tax Relief for Farmers
9. Review of the 'carried interest; provision in the Tax Code
10. Ways to ease Administrative Burden of Tax Compliance for Micro Enterprises

### Income Tax

There were no changes to the tax bands, credits, or income tax rates.

DIRT is being increased from 30% to 33% from 1 January 2013.

### Pensions

Tax relief will continue to be available at the marginal rate (41%) on pension contributions. Tax relief on pension contributions will be restricted from 1 January 2014 and will only be given up to a level that will provide pension income of up to €60,000 per annum.

Individuals will be allowed a once off opportunity to withdraw up to 30% of the value of funded Additional Voluntary Contributions (AVC's) made to supplement retirement benefits. Any withdrawals made will be liable to income tax at an individual's marginal rate. This option will be available for a period of 3 years from the passing of Finance Bill 2013

The Pension Levy of 0.6% which was introduced as part of the Jobs Initiative will not be renewed after 2014.

### Capital Gains Tax

The CGT rate will increase from 30% to 33% in respect of disposals made on or after 6 December 2012.

### Capital Acquisitions Tax

The CAT tax free thresholds in respects of gifts or inheritances taken from 6 December 2012 have been reduced by 10%.

The CAT rate has also been increased from 30% to 33% from the same date.

### VAT

The 9% VAT rate which applies to the tourism industry will remain during 2013.

All other VAT rates remain the same.

### Universal Social Charge

Any persons over 70 with an income in excess of €60,000 will not qualify for the reduced rate of USC from 1 January 2013.

### PRSI

The weekly allowance of €127 for employees has been abolished so PRSI will be paid on all income from 1 January 2013.

From 1 January 2014 unearned income for all tax payers will be liable to PRSI at 4%.

The minimum annual PRSI contribution for self employed earners will increase from €253 to €500.

### Top Slicing Relief

Top slicing relief will no longer be available from 1 January 2013 on ex-gratia lump sums in respect of termination and severance payments where the non-statutory payment is €200,000 or over. This will adjust the current scheme where the relief applies to individual's average tax rate over the previous three years rather than the marginal rate of 41%.

### Other Announcements

Minister Noonan made other announcements in relation to taxation of Maternity Benefit, reduction in child benefit, increase in motor tax rates, increase on duties on cigarettes and alcohol and reduction of Jobseekers Allowance.

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